



Coconino County
Finance Department
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April 20, 2005

Dear Hashknife Trail District Members,

Given all the questions that have arisen regarding the district process, I wanted to take this opportunity to share some additional information with you. I will cover a number of topics and attempt to answer questions that have arisen.

Schedule

First, an update on the schedule. Supervisor Taylor, given the level of questions and comments received elected to reschedule the approval of the Resolution of Intention to May 10, 2005 at 1:15pm. The approval of the Resolution of Intention acknowledges receipt of the engineering plans, specifications and estimate, and opens the protest/objection period, which is a twenty-day period beginning with notification to the district members. If the Resolution of Intention is approved, then we expect the notification opening the protest/objection period to be mailed out to you no later than May 13, 2005. I will also send the notification via email to those with email addresses.

I strongly encourage everyone to communicate their wishes during the protest/objection period regardless if you prefer to proceed with improving the road, you prefer to not proceed with improving the road, or you are undecided. These communications must be in writing and must be received by the Clerk of the Board no later than 9:00am the morning of the hearing. Specific directions for submitting your communication will be provided with the notification of the hearing date. A revised schedule is attached that shows the tentative date for the hearing.

Status of Communications & Future Options

After sending out the previous communication, I received calls and/or emails from a number of district members. To date, I have discussed the situation with six property owners representing eight parcels who are in favor of moving forward with the project, two property owners representing two parcels that are opposed to moving forward, and two property owners representing two parcels that are undecided. I have not heard from one property owner representing two parcels.

A question arose concerning dissolution of a district. The District Members can pursue dissolution of the District by collecting petitions requesting dissolution from over 50% of the property owners and submitting those petitions to the Board of Directors. The property owners must pay all the costs expended to date, which totals \$36,786.06 (\$36,200 for engineering costs and \$586.06 for right-of-way costs). The total costs are assessed to the current property owners based on ad valorem assessed value of the property. Thus property owners with improved properties pay more than unimproved property owners. If a property owner elects not to pay the costs, then a lien can be placed against the property.

As an alternative, District Members can elect not to move forward with the project at this time but not dissolve the district. This keeps the district intact for use by future property owners. As with dissolution,

current District Members are responsible for all costs expended, and the costs are based on ad valorem assessed value.

As another alternative, a new district could be established for the purpose of maintaining the road after it's improved to the State Fire Code standard (in contrast to the County Road Standard, which requires paving). The same formation process applies but with a higher level of petition participation required (70% or greater). The road would be improved to the State Fire Code, which does not require paving. The on-going costs for maintaining the road are borne by the District Members and they are assessed the cost twice a year. The improvement assessment is also billed twice a year if the property owner elects to finance the improvement cost. The benefit of pursuing this process is the lower upfront cost. The downsides are the on-going maintenance costs, which are conducted by private providers, continuing dust and road quality issues, and continuing liability (district pays insurance which is passed on to the property owners).

Process

As discussed above, approval of the Resolution of Intention and notification of the protest/objection period opens the twenty day (20) protest/objection period. A hearing is conducted by the Board of Directors to review all protests/objections/communications submitted (must be submitted no later than 9:00am the day of the hearing). The focus of this hearing is to review protests and objections. More information regarding submittal of protests, objections and communications will be provided with the notice for opening of the protest period.

Assessment Costs & Financing

The total district assessment is \$270,667.65. This cost figure reflects additional costs mostly for increasing the quantity of AB material used on the road shoulders, and the requests made at the April 3 meeting (gate, markers).

In terms of paying the assessment, you have two options:

- 1) There will be a cash collection period (step 20 on the schedule) that allows property owners to pay all or a portion of the costs upfront. Any assessment cost paid upfront is deducted from the total cost to be financed.
- 2) You can finance the costs over a ten-year period. If the total district assessment cost is less than \$300,000, then the District can be financed through the County's Revolving Loan Fund. The interest rate is set by using the State Treasurer's Local Government Investment Pool Rate at the time of financing plus 1%. The rate is currently 2.48%, so adding 1%, the finance rate today would be 3.48%. The State rate can be modified on a monthly basis. A key advantage to using the County's Revolving Loan Fund is the ability for a property owner to pay off the principal and interest prior to the ten-year term by paying the principal and the interest through the next payment period. Assessments are billed twice a year in May and November and must be paid by June and December respectively. If you elected to pay your assessment off between December and June, then you would only pay the interest through June.

If the County's Revolving Loan Fund cannot be used, then the Financial Advisor sells the bonds to a bank or other private placement. The financing rate in this case is market driven. The pay off terms are also set by the market and sometimes require paying a pay off penalty or paying the interest through the remaining period of financing.

In either case, if the assessment is not paid, then a lien is placed against the property.

Assessment Methodology

To date, I have received five orange colored assessment methodology preference sheets. The responses are as follows:

	#1	#2	#3	#4
Cost per Parcel	2			3
Cost per Acre	2	1		1
50% Parcel/50% Acre		2	3	
70% Parcel/30% Acre	1	2	1	

#1 is most preferred option, #4 least preferred option

Everyone did not select a ranking for each option

I appreciate those of you that submitted the preference sheets. They will be shared with the District Engineer, who is responsible for recommending an assessment methodology to the Board of Directors. After submitting the recommendation, the Board of Directors approves the preliminary assessment methodology and diagram and this opens a twenty (20) day period for submitting protests regarding the assessment methodology. You will be notified of the assessment hearing.

Please note that the meeting held on May 10 will **NOT** address the assessment methodology. Review of the assessment methodology and your input to that process occurs later in the overall process. Please note steps 11 through 24 on the attached schedule.

Pros and Cons to Improving a Road to County Standards (Paving)

These are some pros and cons that we hear from district members that have completed improvements.

Benefits (Pros) to Improving a Road to the County Road Standard:

Reduction of dust and the associated health issues

Elimination of on-going maintenance costs since the road will be included in the County's Road System and maintained by the County

Maintenance costs associated with impacts to vehicles

Improved property values and speed with which property sells

Transfer of liability to the County for accidents that occur on the roadway

Downsides (Cons) to Improving to the County Road Standard:

Cost

Change of character, loss of rural character

Increased traffic speed

I hope that this additional information supports your ability to evaluate the short and long-term impacts associated with the Hashknife Trail road improvement. Please contact me at 928-779-6576 or landreani@co.coconino.az.us if you have any further questions or comments. Once again, I strongly encourage you to voice your opinion during the protest/objection period. This is your opportunity to share your opinion with the Board of Directors.

Sincerely,

Lucinda Andreani
Special Districts Coordinator